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Decision to raise interest rates draws lawmaker's ire:

DORGAN SAYS FED LOOKS UNDER BED FOR PHANTOM INFLATION, PUTTING BRAKES ON NATION'S ECONOMY

(WASHINGTON, D.C.) — U.S. Senator Byron Dorgan (D-ND) disagreed sharply with Tuesday's decision by the Federal Reserve Board to once again raise interest rates – the fifth time since June – charging that the Fed “continues to look under the bed for a phantom inflation that doesn't exist, needlessly putting the brakes on the nation's economic growth.”

“The problem with Alan Greenspan and the rest of his board is that they see their job as serving as a set of human brake pads on the nation's economy,” Dorgan said. “They have been consistently wrong about how much growth the new economy is capable of without inflation and apparently just don't get it that the economic models have changed.”

“Higher fuel prices may have pushed the total Consumer Price Index up a bit,” Dorgan said, “but when you take fuel costs out, the core inflation rate is tame -- up a mere 0.2 percent last month. Wholesale prices, excluding volatile energy and food costs, also showed only a modest increase, up just 0.3 percent during that time period. What inflationary fires are they fighting down there?” asked Dorgan, who also pointed out that labor costs are actually declining due to rapid increases in productivity.

“When the Federal Reserve raises interest rates it effectively imposes an immediate tax hike on every American farmer, working family and small business,” Dorgan said, “by forcing them to pay more for the money they borrow. This tax is not inconsequential. The typical American household will pay about \$440 more in interest charges this year because of the rate hikes imposed by the Federal Reserve since last June.”

“For family farmers, this is double trouble,” Dorgan said. “They are struggling to survive collapsed prices and are in an industry that is a heavy user of credit. So even as they fight to survive, Mr. Greenspan and company are adding to their burden with new, higher interest rates that are not only very costly, but totally unnecessary.”

“This decision, like all decisions the Fed makes regarding interest rates, was made behind closed doors,” Dorgan added. “The public was not included in this decision. The public had no say and there will be no public accountability, despite the enormous difference this decision will make in the economic lives of every American family and small business.”

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